ATTACHMENT 1

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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, DC 20554

In the Matter of Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996	)	CC Docket No. 96-128

COMMENTS OF INMATE CALLING SERVICES PROVIDERS COALITION

RECEIVED
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Federal Communications Commission
Office of Secretary

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Prescribing "fair compensation" for 0+ calls in the inmate environment even if the Commission does not do so with respect to 0+ calls in the general payphone environment is consistent with Section 276. Section 276 evidences Congress' intent that the Commission can address inmate calling services in a different manner than pay telephones. Section 276 defines "payphone service" as "the provision of public or semi-public pay telephones, the provision of inmate telephone service in correctional institutions, and any ancillary services."[12] By including "inmate telephone service" in the definition separately from general pay telephones, Congress made clear that they are not the same. Moreover, the definition contrasts the provision of general pay telephones with the provision of inmate telephone services. The focus on "services" in the instance of inmate calling underscores that ICSPs, unlike payphone providers, provide their own operator services and other services as an integrated package in addition to providing the equipment and a gateway into the public network. Thus, while the regulatory regime of Section 276 applies to both payphone and inmate calling services, there is a recognition that the two represent different packages of services that must be fairly compensated and that the Commission need not take the same approach in both cases.[13]

B. The Commission Must Address the Unique Costs Associated with the Inmate Environment

Three factors in particular contribute to the unique costs of the ICSP's integrated package of services and equipment. First, the specialized inmate calling

12 47 U.S.C. § 276(d).
13 Id.

systems developed by ICSPs to meet the call control needs of confinement facilities require significant capital investment. Second, the level of bad debt associated with calls from confinement facilities is much higher than from public payphones. Third, labor expenses are high because ICSPs must maintain a customer services staff equipped to address the needs of the inmates, the inmates' families, and the confinement facilities. Each of these factors are discussed separately below.

1. Inmate Calling Systems

Inmate calling systems are designed to provide confinement facilities with an extensive series of control mechanisms over inmate calling. Those call controls serve to prevent or deter such abuses as the harassment of witnesses and jurors, and the use of inmate calling systems to engage in criminal activity. They also play a significant role in reducing the level of fraudulent inmate calling. At the same time, the call controls function to ensure that the inmates are provided with fair and reasonable access to phones.

The most basic of those call control functions is the blocking of all non-0+ collect calls. Inmate calling systems must block all direct-dialed calls, access code calls, and calls to numbers such as 700/800/900, 950, 976, 411, and repair service. Blocking calls to these numbers reduces fraudulent calling by limiting access to the public telephone network. Inmates thus have less opportunity to manipulate either a live operator or the network in order to defeat calling restrictions.

Another basic requirement for inmate calling systems is the ability to limit call duration and/or to limit calling to a particular time of day, which often varies from inmate to inmate. This serves to provide confinement facilities with control over inmate phone usage while allowing more inmates greater access to the phones available to them. Additionally, restrictions may be placed on the number of calls an inmate is permitted to make over a given period.

The ability to restrict inmate calling by called number is another specialized requirement of inmate calling systems. Confinement facilities often require that ICSPs block an inmate's ability to make calls to certain designated numbers, such as to judges or witnesses. Additionally, confinement facilities may require the ability to restrict inmate calling only to certain pre-designated numbers, such as family members or the inmate's attorney. These requirements prevent or reduce harassment, fraudulent calling, and the use of the inmate calling system to engage in other criminal activity.

At the request of the confinement facility, many ICSPs have put into place additional called number screening mechanisms that permit free calling to certain predesignated numbers. These numbers typically include the public defenders' office, bail bondsmen, and commissary services.[14]

Some confinement facilities also request that ICSPs block calls attempted by particular inmates or calls attempted from certain inmate phones. This requirement

[14] In addition to the costs involved in maintaining the hardware and software to provide this service, the ICSP also bears the costs of transmission, which can amount to $.25 or more for a 10-minute call.

assists in maintaining security. During a disturbance, for example, the ability to place calls can be restricted or disallowed completely. Confinement facilities also request that the ICSP be able to shut down the inmate calling system when inmates are being transferred in or out of the facility in order to reduce the security risk.

These call screening controls can require that the inmate calling system check four or more separate databases before a call is placed. The typical inmate call begins with the inmate lifting the receiver in his cell block. Responding to a series of prompts, he enters his personal identification number ("PIN") and the number he wishes to dial.[15] The PIN is then checked against an internal database for verification and to determine if the inmate has been pre-approved to place calls to certain numbers. If there are no pre-approved numbers associated with a given PIN, it is checked against a "negative database" of numbers that the inmate is prohibited from calling (e.g. witnesses or jurors). Next the called number is checked to ensure that it does not fall into any of the categories of blocked numbers (e.g. 800, 950, etc.) and to verify that it is not an international number. Assuming that the called number is not blocked, it is then sent to yet another internal database to check for the frequency of the calling inmate's phone calls to the same number. This so-called "velocity check" is designed to detect calls to "hot houses" established by an accomplice to allow the inmate caller to make three-way calls or to otherwise defeat the calling restrictions and gain open access to the public network. In addition, the called number may be checked against other inmates' calling

15 Not all confinement facilities use a PIN system. Increasingly, many confinement facilities are moving towards requiring that inmate calling systems employ voice recognition technology to identify individual inmates.

records. Calls to the same location from multiple inmates may be an indication of criminal activity, for example, a drug ring. These numbers are reported to the proper authorities. Finally, the called number may be checked against the ICSP's billing database to check for an unusually high balance owed by the called party. This both helps to minimize the ICSP's exposure to bad debt and protects the called party from burdensome bills.

After all the internal database checks are completed, the called number is sent to the Line Information Data Base ("LIDB")[16] to determine if the number to be called has screening to block calls from being billed to it (e.g., payphones, hospitals or numbers blocked by the customer from receiving collect calls). This is necessary because if the call is completed to a number with billed number screening in many instances it is unbillable.

Only after the call has passed each of these screens is the call placed. During the call, the call controls continue. For example, the call is monitored to limit the duration of the call. When the time limit nears, the call processor warns of the time left; upon expiration of the time, the call is disconnected. The call is also monitored to detect and prevent three-way calling or call transfer to a third number once the called party

[16] LIDB is a series of interconnected databases maintained by the LECs to enable them to share validation and screening data with each other and other providers. Policies and Rules Concerning Local Exchange Carrier Validation and Billing Information for Joint Use Calling Cards, Report and Order and Request for Supplemental Comment, 7 FCC Rcd 3528, 3533, ¶ 27 (1992). LIDB data must be provided on a non-discriminatory basis. Id., ¶ 30. Requesting carriers are charged a fee on a per call basis. Id.

accepts a collect call from an inmate. Again, this serves both to prevent the inmate from gaining open access to the public network and to limit fraud. Some inmate calling systems also use voice overlays to randomly announce during the course of the call that the call is from a confinement facility. This serves to prevent inmates from defrauding called parties who are unaware that the call they have received is from an inmate in a confinement facility.

In addition to the call controls discussed above, confinement facilities also typically require listening and/or recording capability. This capability is a valuable aid in detecting and preventing criminal activity. For example, the Arizona Department of Corrections reported that the monitoring of inmate calls enabled them to prevent a murder an inmate was plotting with an accomplice.[17]

Finally, inmate calling systems must also generally be able to provide customized call detail reports. These reports typically include the date and time of the call, the identity of the calling inmate, call duration, and the called number. Particularly where they are provided on a real time basis, the call detail reports assist in the detection and prevention of criminal activity and fraudulent calling. The call reports also provide the confinement facility with a record of each inmate's calling activity. This has proved to be a critical aid in apprehending escapees.

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17 See Policies and Rules Concerning Operator Service Access and Pay Telephone Compensation, CC Dkt. No. 91-35, Comments of Arizona Department of Corrections (April 1, 1991).

2. **Bad Debt**

Despite the best efforts of ICSPs, the levels of fraudulent or otherwise uncollectible calls run much higher than in the general payphone industry. According to data supplied by two major billing clearinghouses serving the inmate calling services industry, ICSP bad debt can be 30% or higher. On average, bad debt runs at roughly 15-20%.[18] Even those ICSPs that have been the most aggressive in implementing measures designed to reduce fraud have been unable to reduce their bad debt below 8-15% in most instances.[19] This is still several times higher than the level of bad debt experienced by non-inmate operator service providers billing through the clearinghouses.

3. **Personnel**

In addition to requiring specialized equipment and the high levels of bad debt, operating in the inmate environment is also extremely expensive because of the labor-intensive nature of the industry. Many independent ICSPs maintain a service and support staff on-site in the confinement facility to address inmate inquiries and to ensure that the inmate calling systems are in working order. The on-site staff also often assists the facility by administering the PIN system on its behalf. ICSPs also must maintain

[18] See letter from L. Basinger, Director of Sales, Zero Plus Dialing, Inc., to P. Braxton, Paytel Communications, Inc., dated July 6, 1994 (attached as Exhibit 1); letter from R. Evans, General Manager, OAN Services, Inc., to V. Townsend, APCC Inmate Services Committee, dated October 5, 1995 (attached as Exhibit 2).

[19] See, e.g., letter from A. Schumacher, Billing/Fraud Control Manager, Consolidated Communications, to V. Townsend, N.C. Payphone Association, dated February 16, 1995 (attached as Exhibit 3).

fully-staffed operations centers off-premises to respond to facility request and inmate and family concerns.

In addition to these customer support functions, ICSP personnel must also address the high rates of fraudulent calling from confinement facilities. Each day, the detailed call reports generated by the inmate calling system must be analyzed to detect possible fraud. While ICSPs have developed sophisticated software to perform the raw data analysis, trained staff must then review the output. Where calling patterns indicate possible fraud, the ICSP's personnel must immediately investigate and, if necessary, take corrective action. One ICSP conducts roughly 50 fraud investigations daily on a base of 400 phones serving 6,000 inmates. This investigation can include securing billing name and address information, contacting the called party at questionable numbers, and conducting credit checks. If the ICSP is unable to confirm the billing information, the number is immediately blocked. If three-way calling or fraudulent activity is suspected, this information is shared with facility administration. The ICSP also coordinates its investigation and shares information with the appropriate LEC and interexchange carrier counterparts ("IXC") in order to reduce subscription fraud.

C. A $.90 Inmate System Compensation Charge Will Allow ICSPs to Recover Their Unique Costs and Will Provide Fair Compensation

ICSPs must be fairly compensated and there must be full recovery of the unique costs they face. Since those costs are associated with all calls from confinement

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PETITION FOR RECONSIDERATION OF THE CALIFORNIA PAYPHONE ASSOCIATION

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SUMMARY

The California Payphone Association ("CPA") requests further reconsideration or clarification of several issues that may not have been resolved in the previous orders in this proceeding. First, CPA requests clarification that an exogenous cost adjustment is required for transfer of deregulated payphone assets to an affiliate at fair market value. Second, the Commission should rule that, to comply with nondiscrimination requirements, LECs' coin line offerings must allow the PSP to select the end user rates used in the network to rate sent-paid calls. Third, the Commission must rule that a unique payphone screening code must be provided for the "COCOT" lines used predominantly by IPP providers as well as for the coin lines used predominantly by LEC payphones. Fourth, the Commission should clarify that LECs may not discriminate in the provision of operator service commissions to their own payphone operations.

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In the Matter of Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996	)	CC Docket No. 96-128

PETITION FOR RECONSIDERATION OF THE CALIFORNIA PAYPHONE ASSOCIATION

The California Payphone Association ("CPA") hereby petitions for further reconsideration of the Commission's Order on Reconsideration, FCC 96-439, released November 8, 1996, 61 Fed. Reg. 65341 (December 12, 1996).

CPA is pursuing further reconsideration because CPA is uncertain whether the issues discussed below have been resolved by the Commission's prior orders in this proceeding.[1] A number of these issues have been raised in the comments filed by the American Public Communications Council on the comparably efficient interconnection ("CEI") plans of BellSouth and Ameritech. However, CPA is taking the step of requesting further reconsideration in order to ensure, in the event that these issues should have been

[1] Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, CC Docket No. 96-128, Report and Order, FCC 96-388 (Sept. 20, 1996) ("Payphone Order"), and Order on Reconsideration, FCC 96-439 (Nov. 8, 1996) ("Reconsideration Order") (collectively, "the Orders").

addressed in the Orders rather than in rulings on the CEI Plans, that the issues are, in fact, addressed.[2]

STATEMENT OF INTEREST

CPA is a nonprofit mutual benefit corporation representing over 200 providers of independent public payphones ("IPPs") operating in the State of California. CPA is the principal representative of such IPP providers in regulatory proccedings before the California Public Utilities Commission and also participates on their behalf in major FCC proceedings affecting payphone services.

DISCUSSION

I. AN EXOGENOUS COST ADJUSTMENT IS REQUIRED FOR TRANSFER OF PAYPHONE ASSETS AT FAIR MARKET VALUE TO AN AFFILIATE

In the Payphone Order, the Commission decided that if a local exchange carrier ("LEC") places its nonregulated payphone operations in an affiliate or an operating division that has no joint and common use of assets or resources with regulated operations, the LEC must transfer the assets to the nonregulated affiliate or operating division at the higher of fair market value or net book cost. Payphone Order, ¶ 164. On the other hand, if a LEC leaves its nonregulated payphone operations in an operating division that has

[2] Section 276 of the Communications Act required the Commission to take all actions necessary to prescribe regulations under Section 276(b) (including "any reconsideration") by November 8, 1996. 47 U.S.C. § 276(b)(1). In the event that the Commission determines that it is not authorized to address any further "petition for reconsideration" at this time, CPA requests that this filing be treated as, alternatively, a petition for clarification or a petition to reopen the proceedings.

assets or resources in common with regulated operations, the payphone assets are reassigned to nonregulated status at net book cost. Id., ¶ 163.

In the Reconsideration Order, the Commission ruled that the removal of payphone operations from regulated accounts requires an exogenous cost adjustment pursuant to Section 61.45(d)(1)(v) of the Commission's rules, which governs exogenous cost changes resulting from "the reallocation of investment from regulated to nonregulated activities pursuant to sec. 64.901." Reconsideration Order, paras. 198-199, quoting 47 CFR § 61.45(d)(1)(v). This ruling may have left some ambiguity as to whether the exogenous cost change applies both to the reassignment of payphone assets within the LEC at net book cost and to the transfer of payphone assets to a nonregulated affiliate or operating division at the higher of fair market value or net book cost.

CPA requests clarification that an exogenous cost adjustment is required for carriers that transfer payphone assets to a nonregulated affiliate, reflecting the applicable transfer price, regardless of whether a transfer occurs at net book cost or fair market value. Recently, BellSouth filed tariff revisions purporting to make an exogenous cost adjustment to reflect the removal of payphone operations from regulated accounts pursuant to the Payphone Order. See BellSouth Telecommunications, Inc., Transmittal No. 385, filed December 11, 1996. BellSouth is complying with the Commission's Payphone Order by transferring its payphone operations to a nonregulated subsidiary, BellSouth Public Communications, Inc. ("BSPC"). Thus, under the Payphone Order, the transfer must be recorded at the higher of fair market value or net book cost. Payphone Order, ¶ 164.

However, BellSouth did not include a calculation of market valuation in its justification for the exogenous adjustment of its price cap indices.

The Commission should clarify that the fair market value of transferred payphone assets must be reflected in the exogenous cost adjustment by a carrier in BellSouth's position. The transfer at market value is clearly occasioned by a "regulatory change" and is "caused by [t]he reallocation of investment from regulated to nonregulated activities pursuant to § 64.901." 47 CFR § 61.45(c)(4).[3] Further, the change is also an "extraordinary cost change[]" within the meaning of Section 61.45(c)(5). The reclassification of payphone operations as nonregulated overturns decades of prior regulatory practice.

Further, it would be inconsistent for the Commission to require an exogenous cost adjustment only for carriers that reassign payphone assets within an operating division, or to require carriers that operate through an affiliate to take the adjustment only for the portion of the transfer price that does not exceed net book cost. As APCC and other parties demonstrated in their filings in CC Docket No. 96-128, a transfer at fair market value is likely to make a great difference in the costs saved by regulated service ratepayers as a result of the removal of payphone operations from regulated accounts. In the payphone industry, when assets of one company are sold to another, the market value of the assets is

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[3] The payphone assets in question were treated as regulated assets and are required to be treated as nonregulated under the Payphone Order. Nonregulated assets, of course, are identified pursuant to Section 64.901 of the rules. As a result of the requirement to reclassify payphone assets as nonregulated, BellSouth has decided to transfer those assets to an affiliate. Thus, the transfer is caused by a regulatory change under Section 64.901 of the rules.

typically well in excess of the book cost of the payphone equipment, because of the additional value that accrues when a payphone "route" is transferred as a "going concern". See Payphone Order, ¶ 154 and filings cited therein. Failure to require LECs to reflect such market value in their exogenous price cap adjustments deprives ratepayers of the full benefit that should result from crediting regulated accounts with the market value (above net book cost) of a LEC's transferred payphone assets.

Having stated in its Payphone Order, that the operation of the affiliate transaction rule "protect[s] ratepayers" by "effectively captur[ing] on the carrier's books any appreciation in value of those assets, thus ensuring that any eventual gains would accrue to the benefit of the ratepayers and shareholders" (Payphone Order, ¶ 166), the Commission must require LECs that place deregulated payphone operations in an affiliate to make the necessary exogenous cost adjustment to reflect such gains in the value of their payphone assets. Otherwise, given the operation of the price cap rules, there is no guarantee that the gains ever would accrue "to the benefit of the ratepayers."

II. SPECIFIC CALL RATING

Bell companies' CEI plans indicate that subscriber-selected call rating is not available with coin lines. See e.g., Michigan Bell, Tariff M.P.S.C. No. 20R, at 16 (filed as an Appendix to Ameritech's CEI Plan). IntraLATA long distance, as well as directory assistance, calls are rated only at the LEC rate -- i.e., the LEC payphone operations' rate.[4]

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[4] Further, sent-paid local calls originating on coin lines are to be rated "by the customer's pay telephone set." According to Southwestern Bell's CEI Plan, the payphone must send a signal to the central office indicating that sufficient coins have been deposited (Footnote continued)

As APCC, New Jersey Payphone Association ("NJPA"), and Georgia Public Communications Association ("GPCA") have previously argued, providing a coin line that rates calls only at the end user rates used by the LEC's own payphone division is patently discriminatory and spoils any utility the coin line service might otherwise have for IPP providers. See, e.g., Petition of NJPA for Partial Reconsideration and Classification, filed October 21, 1996, at 3-7. IPP providers subscribing to coin lines are effectively forced to adhere to the same rates charged by the Ameritech-affiliated payphone competitor. They are precluded from developing innovative rate structures such as "call anywhere in the United States for 25 cents per minute" -- an increasingly popular approach that has been shown to increase coin traffic at many payphones.

The fact that the rate used in rating intraLATA sent-paid calls may be specified in an LEC tariff does not make the rate selection feature nondiscriminatory. The purpose of the rate is to apply to sent-paid payphone calls. To say that the rate is "selected" by the LEC's regulated side rather than the LEC payphone operation is simply an artifice to avoid CEI compliance. Indeed, the tariffs provide that the revenues from these calls, beyond a basic long distance transmission charge, are kept by the PSP. See e.g., M.P.S.C. No. 20R,

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(Footnote continued)
to satisfy the local rate. Southwestern Bell CEI Plan, filed December 30, 1996, Proposed Tariff P.S.C. Mo. - No. 35, Section 34.1.6.A. The central office then presumably establishes the call connection and signals the payphone to retain the coins in escrow. This is a different method of operation from the method previously used on coin lines terminating in LEC payphones. Previously, sent-paid local as well as intraLATA calls were rated by network facilities. To the extent that LECs continue to provide rating for local calls for any or all of their existing base of payphones (and/or newly installed payphones), there is further discrimination between LEC payphones, which receive network rating for local calls, and IPPs, which are required to provide local call rating in the set.

Part 13, Section 2, at 17 ("[c]oin sent paid revenues collected at the customer's payphone are the property of the customer."). Since the LEC payphone operation collects and keeps the charges, it would be transparently false to claim that the LEC payphone operation is not responsible for deciding what the charges will be.

The Commission should rule that LECs must make their coin line service effectively available to other IPP providers, as well as the LEC's own payphone operation, by providing that the PSP subscriber can select the rate for network rating of sent-paid local, intraLATA, and directory assistance calls.

LECs cannot reasonably claim that it is infeasible to allow coin line subscribers to select the rate for sent-paid intraLATA calls. As discussed in the filings of NJPA and GPCA, Ameritech currently provides these capabilities through its ProfitMaster service in Illinois. Thus, Ameritech tariffs three IPP services in Illinois: COCOT service, coin line service, and ProfitMaster service. Although ProfitMaster is not currently defined as a "coin line" service, it provides the coin rating and coin control functions that characterize coin line service, and is thus the functional equivalent of coin line service. However, ProfitMaster is currently not made available throughout the Ameritech region, and it is higher-priced than Ameritech's coin line service.

Under the Computer III decision, CEI must be made available in the geographic areas where the carrier is offering enhanced service. Amendment of Section 64.702 of the Commission's Rules and Regulations (Third Computer Inquiry), ("Computer III"), Memorandum Opinion and Order on Reconsideration, 2 FCC Rcd. 3035, 3046-47 (1987) (subsequent history omitted). Further, Computer III requires that:

> all enhanced service providers, including the carrier, should pay an equal charge covering the costs of operating the interconnection facilities and providing the unbundled basic services utilized by all enhanced service providers. Depending on the exact implementation of the interconnection facilities, this equal charge may represent an averaged payment for interconnection.

Computer II, Report and Order, 104 FCC 2d 958, 1047 (1986) (subsequent history omitted).

Applying these principles to payphone services, the Commission must require a LEC to provide, throughout its territory and at nondiscriminatory (and averaged, to the extent necessary) charges, coin line services that enable PSPs to have calls rated at their own coin rates.

III. SCREENING CODES

Prior to the Payphone Order, the Commission ordered LECs to provide an improved version of originating line screening ("OLS") that would enable IXCs to uniquely identify calls originating from IPPs using "COCOT" lines. Policies and Rules Concerning Operator Service Access and Pay Telephone Compensation, Third Report and Order, FCC 96-131, released April 5, 1996.[5] Traditionally, IPPs using COCOT lines have been assigned the "07" code, which merely indicates the presence of billing restrictions and

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[5] However, since this proceeding was initiated prior to enactment of Section 276, the Third Report and Order and subsequent orders have not addressed LECs' obligations under Section 276 and the Payphone Order, See Policies and Rules Concerning Operator Service Access and Pay Telephone Compensation, Petition Pertaining to Originating Line Screening Services, Memorandum Opinion and Order, CCB/CPD File Nos. 96-18 et al., released December 20, 1996, n. 28.

can be assigned to a variety of non-payphone lines. LEC payphones, by contrast, benefit from a unique "27" code associated with coin lines.

LECs have indicated that they will implement the Commission's requirement either by offering "Flex ANI," a service that permits the transmission of a "70" code that uniquely identifies COCOT lines to those IXCs subscribing to Flex ANI, or by offering "LIDB-based OLS," a service in which the "07" continues to be transmitted to IXCs, but the IXC can obtain a more fine-grained code (e.g., 70) or information by querying LIDB.

Both these alternatives have major limitations. According to Ameritech and BellSouth, IXCs generally have not subscribed to Flex ANI. See Ameritech's Petition for Waiver, filed October 17, 1996. Where IXCs do not subscribe to Flex ANI, a LEC offering Flex ANI continues to provide IPPs using COCOT lines with the "07" code, which does not uniquely identify calls as payphone calls. By contrast, the LEC continues to provide its own payphones, which use primarily "coin lines," with a "27" code that does uniquely identify calls to IXCs as payphone calls.

In the case of LIDB-based OLS, IXCs have stated that it is not feasible for them to query LIDB to obtain a fine-grained code indicating whether the "07" code originally transmitted refers to a payphone line or some other type of telephone line. [cite] Thus, it appears that IXCs will either not obtain the finer-grained identification or will do so by using some process other than LIDB queries, e.g., by checking the verification data that LECs are supposed to provide under the existing payphone compensation scheme.

Meanwhile, LECs will continue to provide the coin lines used by their own payphones with the unique "27" identifier.

The "07" code for COCOT lines is clearly inferior to the unique "27" code provided to LEC payphones using coin lines, and such inferior treatment is inconsistent with the nondiscrimination requirement of Section 276(a). Moreover, the importance of unique screening codes for payphones has been heightened as a result of the Commission's orders in Docket No. 96-128. The Commission's Order on Reconsideration in the payphone docket confirms that PSPs must ensure transmission of codes that enable IXCs to track calls. Accordingly, LECs are required to provide services "that provide a discrete code to identify payphones that are maintained by non-LEC providers." Reconsideration Order, ¶ 94.

Having a unique screening code automatically transmitted to the IXC provides Bell company payphones with a tremendous advantage in the collection of per-call payphone compensation. With a unique screening code, the IXC knows immediately that a call is compensable, and should not have to take any further steps in order to calculate the compensation due for each particular ANI invoiced by an IPP provider. If no unique screening code is transmitted, by contrast, the IXC must check some reliable data base in order to confirm whether the call is from a payphone and therefore, compensable under the Payphone Order. APCC's experience with the data base currently used to administer flat-rate compensation is that the data base information is frequently unreliable and imposes substantial delays and costs in collecting compensation. Frequently, compensation for a given period is never collected on certain payphones because of the difficulties of securing LEC verification. Transmitting a unique screening code for COCOT lines as well as coin lines would make it unnecessary for PSPs to have their collection of compensation continually delayed or denied due to the highly error-prone LEC verification data base currently in use.

Therefore, by transmitting a unique code on all coin lines while transmitting a non-unique code on COCOT lines, a LEC will be discriminating heavily in favor of its own payphone operations, providing them with a great and unwarranted advantage vis-a-vis independent payphone competitors in the collection of per-call compensation from IXCs.

Accordingly, the Commission should clarify that LECs are required to provide PSPs using COCOT lines with a screening code that uniquely identifies their lines as payphone lines. As long as a unique "payphone" code is provided for the coin lines used predominantly by LEC payphones, a "unique" payphone code must also be provided for COCOT lines and predominantly by IPPs. In order to ensure nondiscrimination, unless IXCs are required to subscribe to the Flex ANI code in all areas, LECs must be required to reconfigure the existing codes that are universally available with access services to which IXCs <u>do</u> subscribe, so that a unique code is available for COCOT lines as well as coin lines.

IV. <u>OPERATOR SERVICES</u>

Ameritech's and BellSouth's CEI plans do not address the intraLATA operator services offered with their public payphones. It is not even clear whether Bell companies consider operator services to be part of their deregulated payphone service or whether they consider operator services to be a separable service that is not "ancillary" to their public payphone service.

If operator services are part of LECs' deregulated public payphone service, LECs must provide such services (1) using computer technology in the payphone or (2) by reselling network-based operator functions. Either way, LECs must be required to make the network functions supporting such services available to PSPs on a nondiscriminatory basis.

If operator services are a separable regulated service that is not "ancillary" to LECs' deregulated payphone service, LECs may not use operator commissions to subsidize their payphone service or discriminate between their own payphone operations and other PSPs in the provision of such services. For example, if a LEC is offering a commission to its payphone service for presubscribing its payphones to the LEC's operator service, then at a minimum, such commissions must also be available to independent PSPs on the same terms and conditions.[6]

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[6] In this regard, however, CPA notes that the Commission's accounting rules do not provide a mechanism for the LEC to pay itself a commission for presubscribing its payphones to the LEC's operator services, where a LEC is not using an affiliate for its provision of payphone service. CPA does not question that such a transaction is permissible where an affiliate is involved, pursuant to the Commission's affiliate transactions rules. However, there is no express provision for such treatment under the cost allocation rules governing nonregulated operations that are not provided through a separate affiliate. CPA suggests that this may reflect a conscious Commission intent to exclude direct commission payments to nonregulated accounts in the absence of an affiliate.

CONCLUSION

The Commission's Orders should be further reconsidered or clarified as stated in the foregoing petition.

Dated: January 13, 1997

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on June 7, 2001, a copy of the Erratum Letter w/enclosures (Attachment 1, Attachment 2, and Attachment 3) was delivered by first-class U.S. Mail, postage pre-paid to the following parties:

Michael K. Powell
Chairman
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